

TAFT DECLARES HIS PRINCIPLES

War Secretary Discusses National Issues Under Auspices of the Buckeye Republican Club.

RAILROADS, TRUSTS, TARIFF

Ohio Presidential Candidate Makes Clear His Position On These Questions—Stands With Roosevelt—Pays His Respects to Bryan—Favors a Revision of the Tariff After the Election of 1916.

Columbus, O., Aug. 20.—Hon. William H. Taft, secretary of war, and one of the most prominently mentioned candidates for the Republican presidential nomination, in a speech delivered last night under the auspices of the Buckeye Republican club of Columbus, gave to the country what may be regarded as the platform on which he goes before the people.

Secretary Taft was invited to discuss the national issues by the club, which desired to tender him a farewell reception before his departure for the Philippines. He responded with a full and frank presentation of his views relative to the great questions of absorbing national importance. He made clear his position relative to the railroads, the trusts, and the tariff, and in addition gave a masterly exposition of what has been accomplished under President Roosevelt's administration. In beginning his speech Secretary Taft pointed out that there has been a quickening of the public conscience in the midst of the general prosperity of the country that demands a remedy for many abuses in industrial and political affairs. He then took up the railroad question, describing the abuses of rate discriminations and the failure of the old interstate commerce law to afford adequate remedy for these abuses. This made necessary the new rate bill, he said, and he proceeded then to tell what the new rate law does, and to describe the opposition to its enactment. Outraged public opinion carried the bill, however, and the opposition was able to muster only seven negative votes in the house and three in the senate. Continuing, Secretary Taft said:

Opponents Belittle Rate Bill. "The opponents of the measure continue to denounce it, but now instead of pointing out its disastrous effect, they say it is a failure and that in the year since its passage, it has not helped a single shipper. They insist that the only effective and an all-sufficient law to regulate railroads is the Elkins act, passed in 1903, and that this is shown by the fact that all the prosecutions in which convictions have been had against railway companies and favored shippers in the last two years, have been under the Elkins act, and not under the rate bill. Let us look into the facts in regard to this allegation. The chief prosecutions which have been instituted have been criminal indictments against the sugar trust and the Standard Oil company, and certain railways and their agents and officers for taking and giving secret money rebates. They could not have been brought under the rate bill, because the acts prosecuted were committed before the passage of the rate bill.

"It is true that these prosecutions were instituted under the Elkins act, but it is also true that had the Elkins bill never been passed, the same acts could and doubtless would have been prosecuted as giving and receiving unjust discriminations against the persons committing them under the amendment to the interstate commerce act of 1889 which the Elkins law supplanted. The Elkins law was really an amendment to the interstate commerce act, enlarging and making more effective the procedure for prosecuting violations of the prohibitions of that law and describing them in more comprehensive form. It gave greater latitude in respect of the district where the offense would be prosecuted and it made the company necessarily responsible in a fine for the act of its agents, without other proof of direct complicity than the agency. Under the 1889 amendment, however, the individuals convicted could have been sent to the penitentiary whereas under the Elkins act, the punishment by imprisonment was taken away while the fine was increased. The chief effect the Elkins law had on these particular prosecutions which have been given so much prominence, was to make it easier to convict the corporation and to increase its fine, but to save the guilty individual perpetrators from imprisonment.

Railroads Favored Elkins Bill. "It is well understood that the Elkins bill was passed without opposition by, and with the full consent of, the railroads and that the chief reason for this was the elimination of the penitentiary penalty for unjust discriminations. The abolition of imprisonment, as a possible penalty, was unfortunate. Experience has shown that a mere fine is generally not enough to deter a corporation from violation of the law because it then becomes a matter of mere business speculation. The imprisonment of two or three prominent officers of a railway company, or a

trust, engaged in giving or receiving secret rebates, would have a greater deterrent effect for the future than millions in a fine.

"In the rate bill, congress amended the Elkins bill and restored imprisonment as part of the punishment for secret rebates. Had the rebating and dishonest practices of the railroad companies and the trusts been as clearly known to congress and the public when the Elkins bill was considered as they were when the rate bill was passed, the Elkins bill would not have passed so smoothly.

"I do not wish to decry the merits of the Elkins bill because, aside from its elimination of imprisonment as punishment, it is a most useful measure, but its scope is so narrow in respect of the regulation of railways that it cannot be compared in importance of operation and effect to the rate bill. The increase by the rate bill in the powers of the commission in supervising, investigation, ratefixing and effective order-making to prevent discrimination is great. Elaborate machinery for making it difficult to violate the law without discovery and for discovering violations when they exist, and for affording affirmative and mandatory relief in requiring railroads to furnish equal facilities to all, is found in the provisions of the new rate bill. Criminal prosecutions will continue to be under the Elkins law, but as amended by the new rate bill. This is because the Elkins law, as amended, contains the part of the interstate commerce legislation which prescribes the punishment for violations of the law and so, in ordinary practice, comes into operation after the violations have been discovered under the other provisions of the rate bill.

Why Such Railroad Opposition?

"If the rate bill was likely to be a failure and to accomplish nothing in the regulation of their business, the query naturally arises why did the railroads spend so much money and so great effort to defeat it? Why was it, if it had no effect, that in the interval between the time of its passage and its going into effect, there were filed with the interstate commerce commission, more notices of reduced rates by the railroads than ever had been filed in the previous twenty years of the life of the interstate commerce law?

Attitude of Count Toward Rate Bill.

"The passage of the bill was taken, the country over, and properly taken, as a most important step toward the suppression of abuses which had grown up in a period of tolerant prosperity. It was thought to be an effective cure of the arterial system of the country which had become poisoned by dishonesty, injustice and fraud. It was a great solace to the conscience of the country outraged by recent revelations of railway and trust management. Passed at the instance of Mr. Roosevelt, it stands as a monument to the principle which he has incessantly maintained in speech and action, that the laws must be so made that they can be enforced as well against the sins of the wealthy and the powerful as against those of the poor.

Error of Mr. Bryan.

"Mr. Bryan contends that the law was greatly weakened in authorizing, or recognizing judicial intervention to restrain the orders of the commission. The criticism has not the slightest foundation. There can be no judicial appeal in the nature of a complete review on the merits from the commission to the supreme court or to the circuit court of the United States, for the commission is not a court of first instance, but only a mere administrative tribunal.

Amendments to Rate Bill Needed.

"The rate law does not go far enough. The practice under it has already disclosed the necessity for new amendments and will doubtless suggest more. Such is the true method—of securing proper remedies for a new evil. The classification of merchandise for transportation is a most important matter in rate fixing, for by a transfer from one class to another, the rate is changed and may work injustice. With the power of rate fixing, it would seem, should go the power in the commission to classify and to prescribe rules for uniform classification by all railroads.

"Recent revelations have emphasized the pernicious effect of the so-called over-capitalization of railroads which aids unscrupulous stock manipulators in disposing of railway securities at unreasonably high prices to innocent buyers. This evil would not of itself justify federal restraint or control, because such stock and bonds are usually issued under state charters. The practice, however, has a tendency to divert the money paid by the public for the stocks and bonds which ought to be expended in improving the roadbed, track and equipment of railways into the pockets of the dishonest manipulators, and thus to pile such an unprofitable debt upon a railway as to make bankruptcy and a receivership probable in the first business stringency. This result in an interstate railway necessarily interferes with, and burdens, interstate commerce, and justifies the exercise of the regulative power of congress to stop the practice. A railroad company engaged in interstate commerce should not be permitted, therefore, to issue stock or bonds and put them on sale in the market except after a certificate by interstate commerce commission that the securities are issued with the approval of the commission for a legitimate railroad purpose. The railroads that are honestly conducted would accept the certificate of the commission as a valuable one in the markets of the world, and only railway stock manipulators who look to the floating of watered securities as

their best source of profit would have reason to complain.

"A much used means of eliminating competition among interstate lines serving the same territory is the acquisition by one company of the stock in another and the election of directors to represent that stock. This process is facilitated by the uncontrolled power to issue securities beyond the needs of the company for its legitimate business and would be curbed by the restriction proposed. The evil ought further to be directly restrained by making it unlawful for an interstate railway to acquire stock in a competing line. This is a simpler remedy of meeting the evil than by recourse to the anti-trust law under the Northern Securities case. In addition to this, competing lines should be prohibited from having common directors or officers.

Proposed Amendments Constitutional.

"These suggestions of additional legislation in respect to the supervision and control of interstate railways have been made by the interstate commerce commission and I heartily concur in them. They are plainly within the federal jurisdiction under the interstate commerce clause. I do not think that in order to accomplish a good which the federal government with its greater resources and wider geographical reach can bring about more quickly and efficiently, the constitutional limits upon federal action should be blurred out or an undoubted federal power should be expanded by doubtful construction into a field which really belongs to the state. But the right of congress to take any action, not confiscatory, in the most rigid control of interstate commerce can not be denied.

Objections to Government Ownership.

"I am opposed to government ownership—

"First, because existing government railways are not managed with either the efficiency or economy of privately managed roads and the rates charged are not as low and therefore not as beneficial to the public;

"Second, because it would involve an expenditure of certainly twelve billion of dollars to acquire the interstate railways and the creation of an enormous national debt.

"Third, because it would place in the hands of a reckless executive a power of control over business and politics that the imagination can hardly conceive, and would expose our popular institutions to danger."

Secretary Taft declared that this program of railway regulation is not inconsistent with individualism and he also said that he would favor railway rate agreements if submitted to and approved by the interstate commerce commission. As to the suggestion that the commission should be empowered to make a valuation of the physical property of all the railroads, Mr. Taft said that the commission already had sufficient power to do that. "I do not object to valuation," he said, "if thought relevant to any issue, but I merely reiterate the assumption that it is to be the chief means of a great reform in rates."

Continuing, Secretary Taft pointed out that the frightful loss of life and limb among railway employees called for stringent regulations and he expressed his approval of the new employers' liability law.

The Trusts.

Taking up the question of the trusts, Secretary Taft explained the present anti-trust law, and gave his views regarding unlawful monopoly. He declared that the mere aggregation of all plants in a given line of industry in one ownership does not necessarily suppress competition, but he pointed out the illegal devices employed by some great corporations, and said:

"I am inclined to the opinion that the time is near at hand for an amendment of the anti-trust law defining in more detail the evils against which it is aimed, making clearer the distinction between lawful agreements reasonably restraining trade and those which are pernicious in their effect, and particularly denouncing the various devices for monopolizing trade which prosecutions and investigations have shown to be used in actual practice. The decisions of the courts and the experience of executive and prosecuting officers make the framing of such a statute possible. It will have the good effect of making much clearer to those business men who would obey the laws the methods to be avoided.

"Another and perhaps the most effective method in the past for an unlawful trust to maintain itself has been to secure secret rebates or other unlawful advantage in transportation, by threat of withholding business from the carrier. This is undoubtedly what has enabled the Standard Oil company and the sugar trust and other great combinations, to reap an illegal harvest and to drive all competitors from the field. If by asserting complete federal control over the interstate railways of the country, we can suppress secret rebates and discriminations of other kinds, we shall have gone a long way in the suppression of the unlawful trusts.

Answer to Mr. Bryan's Question.

"Mr. Bryan asks me what I would do with the trusts. I answer that I would restrain unlawful trusts with all the efficiency of injunctive process and would punish with all the severity of criminal prosecution every attempt on the part of aggregated capital through the illegal means I have described to suppress competition.

"Mr. Bryan says: 'He would extirpate trusts, root and branch.' If Mr. Bryan's language is more than mere rhetoric, and he means to seek the property, to divide it up and sell it in pieces, and disassemble the parts, then I am not in favor of his method of dealing with trusts, because I believe

that such large combinations legitimately conducted greatly add to the prosperity of the country. The attitude of the government toward combinations of capital for the reduction in the cost of production should be exactly the same as toward the combinations of labor for the purpose of bettering the conditions of the wage worker and of increasing his share of the joint profit of capital and labor. They are both to be encouraged in every way as long as they conduct themselves within the law. They both wield enormous power and if wielded for good, can be of inestimable benefit. Their power for evil when in the control of unscrupulous men is such that if it is to be restrained, it needs the use of all the means which the executive and the courts can lawfully command. I think it entirely possible by the rigorous prosecutions of the law against illegal combinations and by the equal and just operation of railways, to prevent a recurrence of what we have had in the past and to restrain within the bonds of legitimate and useful business, all these great corporations."

Touching upon the evils of swollen fortunes, Secretary Taft said that the captains of legitimate industry are entitled to large rewards, and it is impossible to fix a limit upon the amount which they may accumulate. However, he advocated legislation having a tendency to divide great fortunes and to discourage their accumulation, and pointed out that perhaps the best remedy is to be found in state legislation. He said:

"I do not favor federal legislation now to reduce such fortunes either by a constitutional amendment to permit an income tax or by a graduated inheritance tax, but whenever the government revenues need an increase or readjustment, I should strongly favor the imposition of a graduated inheritance tax and, if necessary for the revenues, a change in the constitution authorizing a federal income tax, with all the incidental influence of both measures to lessen the motive for accumulation."

"The suppression of monopolies and the abolition of secret rebates and discriminating privileges by the railroads will lessen the possibility of such enormous accumulations as those which have already taken place. The evils of too great concentration of money or of any kind of property in a few hands are to be best remedied by the gradual effect of a long course of legislation and not by measures having an immediate and radical effect that are apt to involve injurious consequences to the general business community."

Secretary Taft declared distinctly his adherence to the distinctive policies of the Roosevelt administration when he said:

"I have thus reviewed at great length what have properly come to be known as President Roosevelt's policies and have discussed them with what I hope you will think is entire candor. I have attempted to point out one or two instances in which I would qualify details of future policies which he has sketched, but with these minor exceptions as to method, I am glad to express my complete, thorough and sincere sympathy with, and admiration for, the great conserving and conservative movement which he has with wonderful success initiated and carried so far against bitter opposition, to remedy the evils of our prosperity and preserve to us the institutions we have inherited from our fathers."

The criticism that the Roosevelt policies are Socialistic is absurd, said Secretary Taft. On the contrary, the policies were framed to defeat Socialism. Mr. Taft also pointed out that the railroads—not President Roosevelt—were responsible for restrictive legislation, and that the slump in Wall street prices was "no wise due to the President's policy. He contrasted Mr. Roosevelt's and Mr. Bryan's theory of government, showing that Roosevelt believes in both people and individuals and in strong and efficient government, while Bryan's theories are based on distrust of the individual and failure of representative government. Secretary Taft declared that Bryan seeks judicial procedure, that will restrain wealthy wrongdoers, but will give freedom of action for lawless poor, and "in support of this he instanced the Oklahoma constitution, which has been so warmly indorsed by Bryan.

"Certainly it is difficult," said Secretary Taft, "for an impartial observer to find anything in the actual government of Mr. Roosevelt that harmonizes with what would be the government under Mr. Bryan if he could carry out his theories."

Great interest attached to Secretary Taft's discussion of the tariff. On this subject the full text of his speech was as follows:

The Protective Tariff.

"I come now to the question of the tariff, its revision, and its relation to the unlawful trusts. The Dingley tariff was adopted immediately after the election of Mr. McKinley. Since that time we have passed through the Spanish war and have had a decade of prosperity and an increase in the production of raw or unexported in the history of this or any other country. The Republican principle of the protective tariff is, as I understand it, that through the customs revenue law a tariff should be collected on all imported products that compete with American products, which will at least equal a difference in the cost of production in this country and abroad, and that proper allowance should be made in this difference for the reasonable profits to the American manufacturer. The claim of protectionists, and it has been abundantly justified in the past, is that protection secures a high rate

of wages and that the encouragement it gives to the home industry operating under the influence of an energetic competition between American manufacturers, induces such improvement in the methods of manufacture and such economies as to reduce greatly the price for the benefit of the American public and makes it possible to reduce the tariff without depriving the manufacturer of needed protection and a good profit.

Free Trade Revision Disastrous.

"The present business system of the country rests on the protective tariff and any attempt to change it to a free trade basis will certainly lead only to disaster.

"It is the duty of the Republican party, however, to see to it that the tariff on imported articles does not exceed substantially the reasonably permanent differential between the cost of production in the foreign countries and that in the United States, and therefore when changes take place in the conditions of production likely to produce a very large reduction in the cost of production in the United States, it is time that schedules be re-examined and if excessive that they be reduced so as to bring them within the justification for the rule, by which the amount of tariff to be imposed under the protective system is properly determined.

"Whenever the tariff imposed is largely in excess of the differential between the cost of production in the two countries, then there is formed at once a great temptation to monopolize the business of producing the particular product, and to take advantage of profit in the excessive tariff. This denies to the people altogether the economies of production that competition under a protective tariff should develop.

Action of Manufacturers.

"I am not myself a tariff expert and am not sufficiently familiar with the cost of production of the various articles covered in the many schedules to point out the particular ones in which such a change has taken place; but my general conclusion formed as above finds striking support in the action of the National Association of Manufacturers of the United States upon this very question. A committee appointed by that body for the purpose of investigating the question whether the tariff had not in respect to many articles by a change in conditions become excessive.

"This National Association of Manufacturers is composed almost wholly of protectionists, and I think we may safely say, therefore, of Republicans. I am advised that the association represents all classes of manufacturers in this country and that a majority of the manufacturers of consequence are members. The committee reports: 'We are all protectionists—there are a very few brilliant exceptions, but so few that we may repeat the statement, 'We are protectionists.' The committee lays down in its report the following doctrine, which seems to me of the orthodox Republican type:

"Protection, as the word implies, requires that the tariff schedules be such as protect our manufacturers against undue pressure from foreign competition, and maintain our high wage scale and standard of living. The minimum measure of protection is, therefore, as President Roosevelt said, 'The difference in the cost of production in this country and abroad.' These protective schedules, this figured margin for safety, must make full allowance for the possibility of hard times abroad and good times here; for dumping, and all other contingencies. This done, it is truly protective; and it is only so, as it covers these features and nothing more."

Many Schedules Excessive.

"After referring to the fact that there were some articles in which the tariff was hardly high enough, the conclusion of the committee was stated as follows:

"Confining ourselves to the protective principle, we find many schedules—some of them upon the prime necessities of life—returning the government no revenue of consequence, and yet under the claims of the protective theory, bearing a tariff schedule—not merely equal to the difference in the cost of production here and abroad, with all reasonable contingencies allowed for—but decidedly in excess of the total wage cost of production in this country."

"We find some of these schedules many times in excess of the difference between the cost of production here and abroad. We find that individuals who are at the top, both in stock holdings and in management in some of these same industries, declare privately that these schedules are wrong, and that the best interest of those industries themselves, as well as the interests of the country at large, require adjustment at the earliest possible moment. They say that now is the time for revision, while the country is so prosperous that adjustment may easily be made to new conditions."

"In that body of members of 1,800—850, or 20 per cent, were radically opposed to revision; 8 per cent were opposed to revision at this time lest it unsettle business; 35 per cent wished revision, and 17 per cent were indifferent or uninformed. Taken by industries, out of 77 different industries tabulated, 56 voted for revision, casting a total of 1,510 votes; 16 industries voted against revision, casting a total of 103 votes; 5 industries were each tied in their votes, casting a total of 23 votes.

"The association then by resolutions passed by a large majority declared itself in favor of a revision of the tariff at the earliest practicable date.

"I have not cited the report or action

of the National Association of Manufacturers as conclusive upon the character of the present schedules, nor do I assume that the manufacturers of the country embrace all the classes who are interested in maintaining the protective system, for I fully recognize that other classes, especially the farmers, are vitally concerned in some of the schedules. All that I maintain is that when after a tariff law has been in force 10 years and a representative body of protectionists in principle and interest, whose business makes them familiar with the facts and who have no motive for misrepresentation, adopt such a report as the one I have quoted from, it makes a case for investigation into the existing tariff by congress for the purpose of determining how much revision is needed.

"The investigation in the end will be conducted by the committee of ways and means of the house of representatives and by the finance committee of the senate. The schedules are for them to recommend and for congress to fix after they hear evidence of the cost of production in this country and the cost of production abroad, and the conditions existing in each trade, and if it shall turn out that popular opinion founded on such substantial evidence as that which I have cited here should prove to be unfounded, then the revision of the tariff will be confined to minor inequalities. But if the result of the investigation justifies the report of the National Association of Manufacturers, then the revision of the excessive schedules should be substantial, and the motive for the organization and maintenance of unlawful trusts to monopolize the manufacture and sale of articles in such schedules will be taken away.

Prosperity Argument Against Revision.

"Objection is made to revision on the ground that we are enjoying business prosperity, that this will be disturbed by a proposal to change the tariff, and that we should wait until hard times before we revise. I can not follow the argument. The revision proposed is to be by the Republican party and is not to be a departure from the protective principle but in conformity with it. It will affect only those persons injuriously who are making an unreasonable profit out of an excessive tariff. The present prosperity is not dependent on such a profit. If it were, then it would not be the prosperity of the whole business community, but only of a few unduly favored at the expense of the community. In the present temper of the people, general prosperity has not prevented the remedying of other abuses, and injustice. I don't know why it should prevent this.

"I had occasion in a speech which I delivered at Bath, Me., now about a year ago, to express my individual opinion as in favor of an immediate revision of the tariff, but I there pointed out, and I only refer to it to repeat it and emphasize it, that the revision of a tariff involves so many different interests the country over as that it could not be undertaken successfully by the Republican party, and therefore ought not to be undertaken at all, until the party as a whole is in favor of it. I ventured to express the opinion that the sentiment in favor of a revision in the Republican party was crystallizing to such a point that in a short time we might expect to have action upon the subject. What has happened in the last year has only served to confirm the view I then expressed, and it now seems to me that even most of the extremists in the matter of the tariff are of opinion that it would be not only unwise, but unsafe, for the party to fall in its next national platform, to pledge itself to a revision of the tariff as soon after the next presidential election as possible. Those of us who favor immediate revision can well afford to wait until after the next presidential election in order to secure substantial acquiescence by all Republicans. Certainly a delay of action for 18 months ought to furnish a reason for no protectionist to invite the certain business disaster that Democratic revision on free trade lines would involve. More than this, full time should be given for the operation of a new tariff upon the business of the country before the people express their opinion of it. The passage of a bill by the next congress would mean the consideration by congress of the tariff in the midst of a presidential campaign with all the opportunity for misrepresentation of its effect which its practical operation for a year or more would refute. Furthermore, with a presidential election four years removed, we can count on a revision less affected by political considerations than if made in the heat of a national campaign."

Secretary Taft expressed his regret at not having time to discuss other subjects and in closing said:

Advantages of Republican Party. "I can not close without comment on the position of advantage for the coming national campaign which President Roosevelt, by the intense earnestness, vigor, courage and success with which he has pressed the reforms that rightly bear his name, has secured to the Republican party. A trimming, do-nothing, colorless policy in face of the proof of business, railway and corporate abuses would certainly have driven the party from power, however little responsibility for them could be justly charged to it. It was not political advantage which the president sought in these reforms, but the real betterment of conditions which he has effected. Still the belief of the people in his sincerity, his courage and his amazing quality for doing things on their behalf has won for him a hold on the American public, at which even his bitterest opponents marvel and which finds few if any parallels in the political history of this country. Fortunate a party with such a leader."